

VZCZCXRO9489
PP RUEHLN RUEHVK RUEHYG
DE RUEHDBU #1943 2981043
ZNR UUUUU ZZH
P 251043Z OCT 06
FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC PRIORITY 8895
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 1844
RUEHBS/USEU BRUSSELS PRIORITY 1110
RUCNCIS/CIS COLLECTIVE
RUEHDBU/AMEMBASSY DUSHANBE PRIORITY 0359
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1872
RUEHBUL/AMEMBASSY KABUL PRIORITY 1833
RUEHLO/AMEMBASSY LONDON PRIORITY 1728
RUEHML/AMEMBASSY MANILA PRIORITY 0104
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 1879
RHEHAAA/NSC WASHINGTON DC
RUEHFR/AMEMBASSY PARIS PRIORITY 1544
RUCPDO/USDOC WASHDC PRIORITY 0102

UNCLAS DUSHANBE 001943

SIPDIS

SIPDIS

STATE FOR SCA/CEN

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [PGOV](#) [PREL](#) [TI](#)

SUBJECT: TAJIK FINANCE MINISTER ASKS U.S. FOR DEBT RELIEF

¶1. (U) In her introductory meeting with Minister of Finance Safarali Najmuddinov October 19, Ambassador Jacobson discussed Tajikistan's evolving economic progress, debt-taking, and state budget priorities. The Minister raised the issue of Tajikistan's \$17 million debt to the United States, and also requested U.S technical assistance for the Ministry.

¶2. (U) Priorities for the 2007 government budget include education, the energy sector, and income subsidies. The unapproved budget includes 506 million Somoni (146.6 million USD) for the education sector; 120 million Somoni more than last year. Other budget priorities include subsidies for low-income citizens for water and energy services, subsidies for children from low-income families, increased salaries for government employees, and for reforms of administrative/government bodies. Energy spending through loans and credits will account for 6% of GDP - 540 million Somoni (156.5 million USD), including the energy transmission line projects "North-South" and "Lolazor." The government will reduce its spending on vehicle purchases and new building projects.

¶3. (U) The government also plans to attract investment in the transportation and construction sectors. According to Najmuddinov, the World Bank and Asian Development Bank are negotiating an infrastructure loan with the government with a 1.5 - 2% annual interest rate, 40 year repayment period and ten year grace period.

¶4. (U) Najmuddinov noted that Tajikistan will be able to pay back the recently granted \$637 million Chinese loans, and that they will continue to pursue secured credits through international financial institutions on a favorable basis. The Tajik government conducted negotiations with China for three years over the credits. The Tajik side managed to soften the proposed conditions of the loan to its final form: 20-year repayment period, with a five-year grace period, and effective 2% annual interest rate.

¶5. (U) The Minister asked for the Ambassador's help in relieving Tajikistan's \$17 million debt to the United States. According to the Minister, since 2000, Tajikistan has not violated the terms or conditions of repayments on the debt, and has already paid back \$9 million. The Minister pointed out his two meetings this year with Nancy Lee from U.S. Department of Treasury, and set out the following as possible avenues forward. First, he would like to address the issue multilaterally

through the Paris Club, although he noted the United States is the only Paris Club member with which Tajikistan has debt. Second, he would like to engage in bilateral negotiations with the United States. Lastly, he proposed a sort of debt-for-education swap, in which the United States would forgive the debt, while the government reinvested this credit into the educational or social sectors in Tajikistan.

¶6. (U) The Minister also sought U.S. technical assistance to the Ministry through Department of Treasury technical advisors. He previously agreed to work with Nancy Lee on development of a medium-term program for state expenditures, and he will send a letter to the Treasury Department requesting technical support. The Minister also expressed interest in receiving U.S. support to introduce international bookkeeping and accounting standards, reporting and methodology, and provide training for some of the 180 Ministry of Finance employees.

¶7. (U) Najmuddinov recounted how far Tajikistan has come since 2000 in stabilizing the economy. However, spending in key sectors such as education and health still falls short of needed levels. In 2000, education was 1.2% of GDP, while spending on health represented 0.8%. The 2007 budget proposes spending 5.6% of official GDP on education, and 2% on health. These levels leave Tajikistan out of reach of MCC requirements in the lowest strata of poor countries.

HOAGLAND